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AUDITOR GENERAL

# California Legislature

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Letter Report I-0005

Honorable S. Floyd Mori  
Chairman, and Members of the  
Joint Legislative Audit Committee  
Room 4168, State Capitol  
Sacramento, California 95814

Dear Mr. Chairman and Members:

In response to a resolution of the Joint Legislative Audit Committee, we have investigated a complaint filed against Riverside City Community College. The complainant alleged that

1. Administrators have not identified or allocated proper costs to the student health fee fund;
2. Administrators have not used the health fee reserve fund to improve the student health program.

After interviewing college staff personnel and reviewing accounting records, appropriate reports, and pertinent laws and regulations, we have concluded that the first allegation can be substantiated. We found two instances in which the college used an unsupported method to allocate costs to the student health fee fund. The second allegation, however, cannot be substantiated. First of all, the college does not have a health fee reserve fund. Neither is there a requirement for such a fund. Yet Riverside City Community College has accumulated uncommitted health fee revenue in excess of \$83,000 because of a favorable ratio of revenue to expenses. The college intends to reduce the \$83,000 by lowering student health fees and by applying the amount to offset expenditures in future semesters.

### Background and Scope

Effective January 1, 1974, the Legislature authorized district governing boards to levy a \$10 maximum yearly health fee on students attending a district community college. All districts exercising this privilege must deposit collected fees in a special community college health fee fund. Additionally, charges against the fund must either directly benefit the student health program or must represent a pro rata share of expenses that do not exclusively benefit student health services. In addition, the Legislature has prohibited community colleges from expending monies from the fund for certain staff salaries and intercollegiate athletic expenses.

The Riverside City College Board of Trustees currently authorizes a \$4 nonrefundable student health fee for the academic year and a \$2 fee for the summer session. These fees and revenue carried over from fiscal year 1978-79 have increased the current health fee fund budget to \$198,877.

### Improper Allocation of Operating Costs

In allocating costs against the student health fee fund, community colleges must satisfy Section 54736, Title 5 of the California Administrative Code. This regulation establishes allowable charges as

Those identifiable expenses incurred which directly benefit the student health service program.

Additionally, this section states that

Where the expense is not exclusively for the student health program, only the prorated portion applicable to the student health service program may be charged against the fund. (Emphasis added.)

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We found two instances in which the college used an unsupported method to allocate costs. In the first instance, the student health fee fund was charged for the salaries of students who were not actually providing health services. During the fall and spring semesters, students were hired to assist at registration. Four of the students in these positions collected the mandatory health fee, the optional student body fee, and parking fees. The student health fee fund was subsequently charged for the salaries of ten students for the spring semester. The parking fee fund was charged for the students' salaries for the fall semester. The college used this method in an attempt to treat the parking fee fund and the health fee fund equitably. Riverside City Community College administrators were not able to support this method of allocating costs to the student health fee fund.

The second instance relates to administrative costs prorated to the student health fee fund. To allocate administrative costs, the college applies an arbitrary proration of 10 percent. This procedure illustrates the administration's failure to implement a supported method of prorating administrative costs to the health fee fund.

#### Recommendation

We recommend that the Joint Legislative Audit Committee direct a letter indicating our findings to the Chancellor's Office, California Community Colleges. We believe that other community colleges have not properly allocated expenses to the student health fee fund as required by the Education Code and Title 5 of the Administrative Code.

Respectfully submitted,

  
for THOMAS W. HAYES  
Auditor General

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